

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking Regarding
Policies, Procedures, and Incentives For
Distributed Generation and Distributed
Energy Resources

Rulemaking 04-03-017

**COMPLIANCE FILING OF PACIFIC GAS & ELECTRIC
CONCERNING INCORPORATION OF DISTRIBUTED
GENERATION IN DISTRIBUTION SYSTEM PLANNING**

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March 30, 2004

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I. Introduction/Purpose of Filing

On March 16, 2004, the Commission issued its Order Instituting this Rulemaking, which directed the three Investor Owned electric utilities to “file an update on their plans to incorporate DG into grid-side system planning, as required by Ordering Paragraph 2 of D.03-02-068.”

Ordering Paragraph 2 of the New Order Instituting Rulemaking. Pacific Gas and Electric Company (PG&E) hereby submits this filing in compliance with that direction, setting forth the methodology PG&E uses for evaluating distributed generation [“DG”] as a distribution alternative. As requested, we hope this filing will facilitate an understanding of PG&E’s distribution planning process and distributed generation’s potential role in that process.

II. PG&E’s Planning Process

PG&E’s primary goal is to provide safe and reliable service to its customers. PG&E uses its distribution system planning process to determine the need for future system upgrades or additions which include substation transformers and circuit breakers, bus capacity, short circuit duty capability, reactive capacity requirements, and circuit load carrying capability. As part of this process, PG&E analyzes historical load, abnormal weather, forecasts of expected load growth based on economic indicators and local government land planning studies, and detailed

technical studies which include short circuit duty studies, load flow studies, reactive planning studies, stability studies, and substation transformer capacity studies.

PG&E maintains a five-year plan for the expansion of its distribution system to meet load growth demands. The plan is updated annually considering equipment loading and reliability design criteria, with specific focus on planning for the following year's load requirements. The five-year load forecast also identifies potential long lead-time projects such as the construction of a new substation and/or transmission line that would require right-of-way/easement acquisition and/or General Order 131-D licensing. The update consists of projecting load growth and comparing this to the capacity of distribution substation transformers and distribution circuits. PG&E accommodates the projected load growth by a combination of adding distribution substation banks, adding distribution circuits, moving sections of distribution circuits in the field from heavily loaded circuits to less heavily loaded ones (load rolling), and making upgrades to existing circuits. The output of this annual distribution system planning is a set of projects, which involve distribution substation bank additions, distribution circuit additions, and distribution circuit upgrades. PG&E's planning analysis considers both system reliability requirements and overall project cost.

III. Consideration of DG as a Distribution Alternative

- **Criteria for Considering DG Based on SDG&E's Model**

In D.03-02-068 the Commission required that the utilities "incorporate SDG&E's distributed generation procurement approach to evaluate alternatives to distribution system upgrades, stating "SDG&E's distributed generation procurement approach should be adopted for all utilities because it allows the utility to retain control of its distribution system planning process, maintain reliability at reasonable cost, while providing flexibility to evaluate distributed

generation alternatives to a wires solution.” The Commission adopted the following conditions that “distributed generation must meet to allow the utility to defer capacity additions and avoid future cost.”

1. Located in the right place – “The distributed generation must be located where the utility’s planning studies identify substations and feeder circuits where capacity needs will not be met by existing facilities, given the forecasted load growth.”
 - During its annual planning update, PG&E will evaluate and compare existing substation and circuit (feeder) capacity with projected loads based on the load growth forecast in order to identify projects and alternatives to meet distribution system needs. Any proposed DG solutions must be located where PG&E identifies the need for additional capacity to meet system requirements.
 - Any necessary property for the location will be procured by DG.
2. Installed and operational – “The unit must be installed and operational in time for the utility to avoid or delay expansion or modification.”
 - As discussed below, in order for PG&E to avoid investment costs or capital additions to its system, the DG unit(s) must be installed and operational for the peaking cycle identified in the planning process for the traditional project.
3. Provide sufficient capacity – “Distributed generation must provide sufficient capacity to accommodate the utility’s planning needs.”
 - During the annual planning update, PG&E will identify the capacity requirements for each project. DG solutions must be the right size to be considered as an alternative to traditional wires solutions.
4. Provide physical assurance – “[D]istributed generation must provide appropriate

physical assurance to ensure a real load reduction on the facilities where expansion is deferred.”

- As shown in PG&E’s proposed contract (see Attachment 1), the DG solution will be required to provide physical assurance.

In addition, there may be other circumstances, particularly where a customer has unusual needs, where DG may be considered as a temporary or longer-term alternative to a distribution upgrade.

- **Methodology for Evaluating DG as a Distribution Alternative**

Under some circumstances, DG may be a more economic means of meeting load growth requirements than the addition of transformers and circuits. To determine where this is the case, during the annual planning update, all projects identified for a minimum of the next two years are screened using the following characteristics for each project:

- Estimated cost
- Expected capacity addition
- Estimated load growth for the next two years.

These characteristics are then compared to the cost of DG alternative using a standard screening process. Any cost that would be required to make the reliability of the DG equivalent to the traditional “wires” project is neglected because of the requirement that the DG alternative provide physical assurance.

Instances where this ideal DG is less costly than the traditional project are then subjected to detailed analysis. The detailed analysis considers such things as the availability of gas supply (if needed), air quality requirements, noise level and measures needed to achieve acceptable reliability, and identifies projects where DG is feasible. This analysis can include operating and maintenance costs, the expected life cycle of proposed DG technology, and other relevant

factors.

- **Public Notification of DG Needs**

When PG&E identifies projects where DG might be an appropriate alternative, PG&E will issue a request for proposal (RFP). The RFP will describe the project to be deferred by the DG, the location of the project, generic requirements for interconnection under the relevant CPUC and FERC rules, and other relevant conditions including the provision of physical assurance of load removal upon loss of generation that would allow the traditional wires project's deferral. The RFP will include standard contracts and forms for submittal of essential information.

In addition, PG&E plans to post information on the PG&E Website advising parties on how to contact PG&E if they are interested in providing DG as a distribution alternative for a specific project identified through the process described above.

- **Evaluation and Selection**

All proposals submitted in response to the RFP by the date specified in the RFP will be evaluated for technical adequacy. Where technically equivalent proposals exist, selection will be based on the lowest price determined in a bidding process for equivalent offers. PG&E will compare the cost of the proposed DG solution selected through the RFP to determine if it is cheaper than the utility wires solution. If the RFP is the least cost solution, PG&E will proceed with implementing the DG solution. Responsibility for performing these evaluations and making the selections resides with the manager responsible for the distribution system planning process.

- **Performance**

Any DG project will have to meet the same in-service date as the traditional project it displaces. RFPs will therefore be issued for projects having a required in-service date

approximately two years from the date of the RFP. This is to allow sufficient time for proposal evaluation, selection, contract negotiation, construction, and startup. The DG project will be required to provide assurance of project completion by a drop-dead-date that allows PG&E to revert to constructing its traditional project and meet the required in-service date. (The in-service date is typically May 1 of the required year, and the last opportunity for PG&E to begin such a project successfully is typically late summer of the preceding year.) Project completion will be considered satisfied when physical assurance of load removal is complete, regardless of whether the generator is operating by that date.

- **Contracting**

Once a DG solution is selected through the RFP process, PG&E and DG vendor will execute an Agreement addressing their respective rights and responsibilities. A Model Agreement for Provision of Distribution Generation with Physical Load Reduction Assurance (“Agreement” is attached as Attachment 1).

- **Compensation**

Payments for deferred capital expenditure will be made annually following peak load periods, contingent on satisfactory performance as defined in the Agreement. As addressed in D.03-02-068, compensation will be paid either as a bill credit or direct payment will not “exceed the cost of the planned addition multiplied by the short-term carrying cost of capital and the number of years of deferral.” If the DG unit and or load do not operate as specified in the Agreement, it may result in termination of the Agreement for subsequent years.

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III. Conclusion

PG&E appreciates this opportunity to address this planning question.

Respectfully Submitted,

MICHELLE L. WILSON
PETER OUBORG
RANDALL J. LITTENEKER

By: _____
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Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

Dated: March 30, 2004

CERTIFICATE OF SERVICE BY ELECTRONIC AND FIRST CLASS MAIL

I, the undersigned, state that I am a citizen of the United States and am employed in the City and County of San Francisco; that I am over the age of eighteen (18) years and not a party to the within cause; and that my business address is Pacific Gas and Electric Company, Law Department B30A, 77 Beale Street, San Francisco, California 94105. I am readily familiar with the business practice of Pacific Gas and Electric Company for collection and processing of correspondence for mailing with the United States Postal Service. In the ordinary course of business, correspondence is deposited with the United States Postal Service the same day it is submitted for mailing.

On the 30th day of March 2004, I served a true copy of **COMPLIANCE FILING OF PACIFIC GAS & ELECTRIC CONCERNING INCORPORATION OF DISTRIBUTED GENERATION IN DISTRIBUTION SYSTEM PLANNING** on all parties identified on the service list for the California Public Utilities Commission Application Rulemaking 99-10-025.

Service was effected by serving said document, via electronic mail to the parties who provided electronic mail addresses and by United States Mail in sealed envelopes and depositing said envelopes in the U.S. Mail with first-class postage affixed thereto addressed to:

To all parties on the official service list, R.99-10-025

I certify and declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed in San Francisco, California on the 30th day of March 2004.

BELINDA BATES

DRAFT AGREEMENT FOR PROVISION OF DISTRIBUTION GENERATION WITH PHYSICAL LOAD REDUCTION ASSURANCE

The parties to this Agreement are Pacific Gas and Electric Company, hereinafter referred to as “PG&E” and _____, hereinafter referred to as “Distributed Generator” (collectively referred to as “Parties” or separately as “Party”).

1. RECITAL

1.1 WHEREAS, on [DATE], PG&E, as part of its annual distribution system planning process, issued a Request For Proposal (RFP) for distribution generation, having a specific size, location, and capable of providing Physical Load Reduction Assurance, as an alternative to traditional distribution wires projects which, but for such distribution generation, would be required to be in service by [DATE]

1.2 WHEREAS, on [DATE], Distributed Generator, in response to PG&E’s RFP, submitted a proposal that was selected by PG&E to be a qualified Distribution Generation Solution.

1.3 WHEREAS, PG&E and Distributed Generator desire to enter into this Agreement to specify the terms for Distributed Generator to install, operate, maintain and own a Distribution Generation Facility and provide Physical Load Reduction Assurance equivalent to the capacity of such Distribution Generation Facility; and for PG&E to make deferral credit payments to Distributed Generator in return for such Distribution Generation Facility and Physical Load Reduction Assurance.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

2. DEFINITIONS

2.1 Agreement – This Agreement For Provision Of Distribution Generation with Physical Load Reduction Assurance between [Distributed Generator] and PG&E.

2.2 Automated Load Reduction Scheme – An automated load tripping system comprised of metering, communication, relaying, control, and other appurtenant equipment and software, designed to automatically disconnect the Designated Load from PG&E’s distribution system to effectuate the Physical Load Reduction Assurance required under this Agreement.

2.3 Distribution Generation Facility – All equipment and facilities comprising the Distributed Generator’s generation facility, as disclosed by Distributed Generator on [DATE] in its response to PG&E’s RFP. A detailed description of the Distribution Generation Facility is provided in Exhibit A.

2.4 Designated Load - The electrical load connected to PG&E's distribution system and designated by the Distributed Generator and the Designated Load Customer, as disclosed by Distributed Generator in its response to PG&E's RFP, available to be automatically disconnected by means of the Automated Load Reduction Scheme to satisfy the Physical Load Reduction Assurance pursuant to this Agreement. The details of the Designated Load are described in Exhibit B.

2.5 Distribution Generation Solution – The installation, coordinated operation and control, as approved by PG&E in its sole discretion, of the Distribution Generation Facility, Designated Load, and the Automated Load Reduction Scheme which together provide a short term alternative to a specified traditional distribution system wires project of PG&E.

2.6 Designated Load Customer – is the owner of the Designated Load, as identified in the Designated Load Agreement between [Distributed Generator] and [Designated Load Customer], which is attached hereto as Exhibit C.

2.7 Physical Load Reduction Assurance – The automatic disconnection of the Designated Load from PG&E's distribution system, by means of the Automatic Load Reduction Scheme, or other means as determined necessary by PG&E in its sole discretion in the event of a failure of the Automatic Load Reduction Scheme, at any time the Distribution Generation Facility is not operating in strict accordance with the operational performance criteria as described in Exhibit D.

2.8 Distributed Generator Assurance Date – The final date as determined by PG&E [DATE] for Distributed Generator to provide written assurance to PG&E that the Distribution Generation Solution pursuant to this Agreement is on schedule to meet the Distribution Generation Solution In-Service Date.

2.9 Distribution Generation Solution In-Service Date – The date as determined by PG&E [DATE] the Distribution Generation Solution is installed, tested, and ready for commercial operation as required pursuant to this Agreement.

3. APPLICABILITY

Pursuant to this Agreement Distributed Generator shall install, or cause to be installed, Distribution Generation Facility at the proper time, location and size deemed suitable and determined by PG&E in its sole discretion, which together with Physical Load Reduction Assurance, will allow PG&E to defer the construction of distribution project upgrades/additions including distribution substation transformer additions, distribution circuit additions, and distribution circuit upgrades as identified in PG&E's annual distribution system planning process.

4. DISTRIBUTION GENERATION INTERCONNECTION AGREEMENT

Distributed Generator shall be responsible for executing the necessary distribution interconnection agreements with PG&E pursuant to the Rule 21 Tariff or the FERC rules, as applicable, prior to [or concurrent with] executing this Agreement. The Distribution

Generation Facility shall be interconnected to PG&E's distribution system pursuant to the terms and conditions of such Rule 21 or FERC interconnection agreements.

5. TERM AND TERMINATION

5.1 Term

This Agreement shall become effective on the later of (a) the execution date pursuant to Section 15, or (b) execution of the Designated Load Agreement which is attached hereto as Exhibit C by Distributed Generator and the Designated Load Customer; provided, however, that PG&E's payment of deferral credits to Distributed Generator pursuant to Section 8 of this Agreement shall not be paid to Distributed Generator until following the Distribution Generation Solution In-Service Date.

5.2 Termination

This Agreement shall terminate on the earliest of (a) [DATE], unless the Parties mutually agree in writing to extend this Agreement, or (b) Distributed Generator's failure to provide written assurance to PG&E in accordance with Section 6 of this Agreement by the Distributed Generator Assurance Date, or (c) default pursuant to Section 9.1.

5.3 Survival

Sections 8-12 of this Agreement shall survive termination of this Agreement until all payment obligations and other obligations are satisfied.

6. AGREEMENT COVENANTS

6.1 Distributed Generator shall notify PG&E in writing prior to the Distributed Generator Assurance Date that installation and operation of the Distributed Generation Solution is on schedule to meet the Distributed Generation Solution In-Service Date requirement.

6.2 Distributed Generator, at its sole expense, shall install, or cause to be installed, the Distribution Generation Facility as described in Exhibit B, and shall own, operate and maintain the Distribution Generation Facility in accordance with this Agreement, and the applicable interconnection agreement.

6.3 Prior to, or concurrent with, execution of this Agreement, Distributed Generator and Designated Load Customer shall execute the Designated Load Agreement in the form attached hereto as Exhibit C, which shall provide for Physical Load Reduction Assurance. The execution of such Designated Load Agreement between Distributed Generator and the Designated Load Customer is the sole responsibility of the Distributed Generator.

6.4 Distributed Generator shall own, design, install, operate and maintain the Automatic Load Reduction Scheme. Prior to installation, the design of Automatic Load Reduction Scheme shall be submitted to PG&E for review and approval as to its adequacy to protect PG&E's distribution system and maintain the reliability of service to other PG&E customers. Prior to receiving the provisions of this Agreement, PG&E shall

have physically inspected the installation of the Automatic Load Reduction Scheme, witnessed its successful operation, and provided written confirmation of its approval prior to Distributed Generator commencing operation under this Agreement. PG&E shall have the right to inspect and verify the operation of the Automatic Load Reduction Scheme during the term of this Agreement.

6.5 Review, if any, by PG&E of the design, construction, operation, or maintenance of the Distribution Generation Solution and Automatic Load Reduction Scheme, including modifications thereto, shall not constitute any representation as to the economic or technical feasibility, operational capability, or reliability of such facilities except as to the adequacy of such facilities to protect PG&E's distribution system and maintain the reliability of service to other PG&E customers. Customer shall in no way represent to any third party that any such review by PG&E of such facilities including but not limited to any review of the design, construction, operation, or maintenance of such facilities by PG&E is a representation by PG&E as to the economic or technical feasibility, operational capability, or reliability of such facilities. Customer is solely responsible for economic and technical feasibility, operational capability, and reliability of the Distribution Generation Solution and the Automatic Load Reduction Scheme.

6.6 If at any time the Distribution Generation Facility does not perform, for any reason, including an Uncontrollable Force, in strict accordance with the Operational Performance Criteria specified in Exhibit D, the Designated Load shall be disconnected from PG&E's distribution system by means of the Automated Load Reduction Scheme, or other means as determined necessary by PG&E in its sole discretion in the event of a failure of the Automated Load Reduction Scheme.

6.7 Distributed Generator shall be solely responsible for scheduling the capacity and energy output of its Distribution Generation Facility in accordance with all applicable California Independent System Operator (CAISO) protocols. PG&E shall not purchase or transmit energy from the Distribution Generation Facility pursuant to this Agreement.

6.8 Distributed Generator shall notify PG&E in advance of its intent to remove the Automatic Load Reduction Scheme. Such notification shall in accordance with Section 13 of this Agreement. The amount of time required prior to Distributed Generator's removal of Automatic Load Reduction Scheme shall allow PG&E adequate time review and install any necessary distribution facilities to accommodate additional load on its distribution system. Section 9 of this Agreement shall apply to those Distributed Generators who fail to provide such notice.

7. OPERATIONAL PERFORMANCE CRITERIA

Distributed Generator shall operate the Distribution Generation Facility in strict accordance with the operational performance criteria described in Exhibit D. Failure of Distributed Generator to meet the operating criteria specified in Exhibit D shall result in the operation of the Automated Load Reduction Scheme as described in Exhibit D.

8. PAYMENT

8.1 Following the Distribution Generation Solution In-Service Date, PG&E shall pay to Distributed Generator the deferral credit in accordance with the Payment Schedule described in Exhibit E. PG&E shall not make a deferral credit payment to Distributed Generator if Distributed Generator fails to effectuate the Distribution Generation Solution.

8.2 The deferral credit payment shall be prorated by PG&E in the event the Distribution Generation Solution In-Service Date is delayed.

9. DEFAULTS AND REMEDIES

9.1 Termination for Default

If either Party breaches its material obligations under this Agreement, such breach shall constitute an event of default. If any Party defaults under this Agreement, the other Party may terminate this Agreement; provided that prior to such termination the other Party must provide the Defaulting Party with written notice stating: (i) the Party's intent to terminate; (ii) the date of such intended termination; (iii) the specific grounds for termination; (iv) specific actions which the defaulting Party must take to cure the default, if any; and (v) a reasonable period of time, which shall not be less than 10 calendar days, within which the defaulting Party may take action to cure the default and avoid termination, provided there is any action which can be taken to cure the default. The pendency of any dispute resolution procedure pursuant to Section 12 with regard to any separate dispute(s) or 9.1 hereof shall not limit the right to terminate this Agreement under Section 5.2.

9.2 Damages for Failure to Provide Load Reduction

If Distributed Generator breaches its obligation to provide Physical Load Reduction Assurance, then the resulting damages shall be calculated to include any cost associated with the accelerated construction of facilities required in PG&E's reasonable discretion to reliably and safely provide service to all customers on the affected circuits and substation. e.g., any cost of overtime hours for PG&E's own resources, additional contract personnel, additional payments to contractors for expedited delivery of equipment and materials and premiums paid, if any, to obtain necessary rights of way or permits. PG&E selection of any facilities contemplated by this Section 9.2 shall be based on good utility practices, including, but not limited to, its standard safety practices, its material and equipment specifications, its design criteria and construction procedures, its labor agreements and applicable laws and regulations. Provided, however, the Parties understand and agree that if Distributed Generator's failure to provide Physical Load Reduction Assurance is due solely to an Uncontrollable Force, such failure shall not constitute a default pursuant to this Section 9.2.

9.3 Other Remedies

The remedies available under Sections 9.1 and 9.2 are not exclusive, and, subject to Section 12, either Party also shall be entitled to pursue any other legal, equitable or regulatory rights and remedies it may have in response to a default by the other Party.

10. LIABILITY AND INDEMNITY

10.1 Liability

Except for its willful misconduct gross negligence, or with respect to breach of this Agreement, or with respect to the indemnity duty under Section 10.3, no Party, nor its directors or members of its governing board, officers, employees or agents shall be liable to another Party for any loss, damage, claim, cost, charge or expense arising from or related to this Agreement. In the event of breach of this Agreement, neither Party, nor its directors or members of its governing board, officers, employees or agents shall be liable to the other Party for any consequential, special or indirect damages.

10.2 Indemnity

10.2.1 Each Party shall indemnify defend and hold the other Party harmless from and against all losses, damages, claims, liabilities, costs or expenses (including legal expenses) whatsoever for injuries to or death of any person (including, but not limited to, agents employees, contractors, and invitees of PG&E and Distributed Generator) and for all loss, damage or destruction of electrical equipment or electric or gas meters or any other property (including, but not limited to, property of PG&E, Distributed Generator, and their respective agents, employees, contractors and invitees) arising out of any act or omission except to the extent that they result from any breach of this Agreement by the indemnifying Party or the indemnified Party's negligence or intentional wrongdoing.

10.2.2 Distributed Generator shall indemnify, defend and hold PG&E harmless from and against all losses, damages, claims, liabilities, costs or expenses (including legal expenses) whatsoever for injuries to or death of any person (including, but not limited to, agents employees, contractors, and invitees of PG&E) from any adverse consequences as a result of disconnection of Designated Load from PG&E's distribution system at Distributed Load Customer premises.

11. UNCONTROLLABLE FORCES

Any act beyond the reasonable control of a Party and which by the exercise of due diligence by such Party is unable to prevent or overcome. In the event of the occurrence of an Uncontrollable Force which prevents a Party from performing any of its obligations under this Agreement such Party shall (i) promptly notify the other party; (ii) not be entitled to suspend performance of any greater scope or longer duration than is required by the Uncontrollable Force (iii) use its best efforts to mitigate the effects of such Uncontrollable Force, remedy its inability to perform, and resume full performance hereunder; (iv) keep the other Party apprised of such efforts on a continual basis, and (v) provide written notice of the resumption of performance hereunder.

12. DISPUTE RESOLUTION

12.1 Mediation. Arbitration and/or Litigation

Any dispute that cannot be resolved between the Parties shall be settled by means of conference, mediation and/or litigation as provided for herein.

12.1.1 The first step in the disputed resolution process shall be a conference by which the dispute is referred to a designated officer of each Party for resolution. If those two officers cannot reach an agreement within a reasonable period of time, the Parties may submit the dispute to mediation in accordance with the Commercial Rules of the American Arbitrator Association.

12.1.2 If the dispute is not resolved by the mediation, the Parties shall submit the dispute to the California Public Utilities Commission for final resolution unless the relief sought cannot be awarded by the CPUC in which case a Party may proceed to a Superior Court for the State of California, County of Los Angeles.

12.2 Recovery of Costs and Attorneys' Fees

If either Party to this Agreement begins any legal action or proceeding against the other by reason of the alleged failure of the other to perform under this Agreement, or for the interpretation of any provision thereof, the Party prevailing in said action or proceeding shall be entitled to recover, in addition to its costs, reasonable attorneys' fees, whether retained or in-house counsel and costs. Such recovery shall include court costs and attorneys' fees on appeal, if any. As used herein, "the Party prevailing" means the Party in whose favor final judgment is rendered.

13. MISCELLANEOUS

13.1 Assignment

This Agreement is intended to be between the two Parties and neither Party may assign this Agreement without prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed.

13.2 Notices

13.2.1 Any notices or demands to be served here under by either Party to the other shall be in writing and effected either by personal delivery or by mail, registered or certified, with return receipt requested. Mailed notices shall be addressed as follows to:

PG&E: Pacific Gas and Electric Company
Rates and Tariffs Department – Mail Code B8M
P.O. Box 770000
San Francisco, California 94177-0001
Attention: Manager, Electric Tariffs

Distributed Generator:

Attention: _____

13.2.2 Until written notice of a different address is furnished in accordance herewith to the other Party, all such notices shall be delivered to the addresses above. Such notices shall be deemed to have been served at the time personally delivered to either Party or within ninety-six (96) hours after the same have been deposited, postage prepaid, in the United States Post Office, which shall be a valid and sufficient service of notice for all purposes.

13.3 Governing Law

The formation, interpretation and performance of this Agreement shall be governed by California law, without regard to its principles of conflict of law.

13.4 Entire Agreement

This Agreement, in combination with the three Appendices, as approved by the California Public Utilities Commission ("Commission"), contains the entire agreement between the Parties.

13.5 Disclaimer of Warranty

No promise, representation, warranty, or covenant not included in this Agreement has been, or is relied on by either Party. Each Party has relied on its own examination of this Agreement, the counsel of its own advisors, and the warranties, representations, and covenants in the Agreement itself.

14. COMMISSION CONTINUING AUTHORITY

This Agreement shall at all times be subject to the Commission and to any changes or modification that the Commission may, from time to time, direct in the exercise of its jurisdiction. Notwithstanding any other provision of this Agreement, either Party shall have the right to unilaterally file with the Commission, pursuant to the Commission's rules and regulations, an application for a change in rates, charges, classification, or any rule, regulation, or agreement relating thereto.

IN WITNESS WHEREOF, PG&E and Distributed Generator have executed this Agreement on _____.

Distributed Generator:

By _____
Title _____
Date _____

Pacific Gas and Electric Company:

By _____
Title _____
Date _____

EXHIBIT A
DESCRIPTION OF DISTRIBUTION GENERATION FACILITY
AND SINGLE-LINE DIAGRAM

A. Distribution Generation Facility

[This is expected to be the electrical and generating characteristics of the Distribution Generation Facility provided to PG&E (and approved by PG&E) by the Distributed Generator in its response to PG&E's RFP.]

B. Single Line Diagram

[This is expected to be the electrical single-line diagram of the Distribution Generating Facility provided by the Distributed Generator (and approved by PG&E) in its response to PG&E's RFP.]

EXHIBIT B

DESCRIPTION OF DESIGNATED LOAD AND SINGLE-LINE DIAGRAM

A. Designated Load

[This is expected to be the electrical and load characteristics of the Designated Load provided to PG&E (and approved by PG&E) by the Distributed Generator in its response to PG&E's RFP.]

B. Single Line Diagram

[This is expected to be the electrical single-line diagram of the Designated Load provided by the Distributed Generator (and approved by PG&E) in its response to PG&E's RFP.]

EXHIBIT C

DESIGNATED LOAD AGREEMENT

Between

Distributed Generator and Designated Load Customer

[This will be a PG&E form agreement in which the Distributed Generator and Designated Load Customer agree to the Physical Load Reduction Assurance required under the Agreement.

Pursuant to this form agreement, the Designated Load Customer will hold PG&E harmless for the Distributed Generator's failure to meet the operational performance criteria as specified in the Agreement and the associated Physical Load Reduction Assurance by means of the Automated Load Reduction Scheme.

It will be the responsibility of the Distributed Generator to have this form agreement executed by the Designated Load Customer. The Agreement will not become effective if this form agreement is not executed by the Distributed Generator and the Designated Load Customer and an original copy provided to PG&E.]

EXHIBIT D

OPERATIONAL PERFORMANCE CRITERIA

[This exhibit will spell out the specific operational performance criteria that will be applicable to the Distributed Generation Facility.]

EXHIBIT E
DEFERRAL CREDIT PAYMENT SCHEDULE

Deferral Credit Payments

PG&E shall make deferral credit payments to Distributed Generator in accordance with the following schedule as determined by PG&E:

Payment # 1 by Date _____

Payment # 2 by Date _____

Payment # 3 by Date _____

Payment # 4 by Date _____